

## The household in a non-monetary market economy

*Simon Clarke*

*Centre for Comparative Labour Studies,*

*Department of Sociology, University of Warwick*

*and Institute for Comparative Labour Relations Research (ISITO), Moscow*

The Russian economy is non-monetary in the sense that the bulk of inter-enterprise and even governmental transactions are not conducted in monetary form but through barter chains and the use of various kinds of non-monetary instruments. However, retail trade and the provision of consumer services are almost entirely monetary: it is not possible for households to issue bills of exchange to buy their groceries or to settle their utilities bills, nor is it generally possible to acquire goods in shops or retail markets for anything other than cash.<sup>1</sup> While enterprises and government bodies have adapted quite comfortably to life without money, households with falling money incomes have a steadily declining capacity to meet even their most basic needs directly through the market.

Households are the primary victims of demonetisation, but they are not necessarily passive victims. Household responses to demonetisation have important implications for the reproduction of the non-monetary market economy. If households respond in the normal way to falling money incomes, by drawing on their savings, falling into debt and reducing their money spending, then demonetisation will translate, perhaps with a lag as savings are run down, into an old-fashioned Keynesian deflationary spiral.<sup>2</sup> On the other hand, if employers arrange to pay wages and benefits in kind or with non-monetary tokens (or quasi-monies) which can be used to purchase means of subsistence, households will be integrated into the non-monetary economy and will be able to sustain their demand for goods and services despite their falling money incomes. To the extent that these practices develop, the deflationary consequences of demonetisation are averted. Finally, however, households may withdraw from the

---

<sup>1</sup> As David Anderson's paper in this volume shows, in some regions there are quite well-developed local surrogate currencies which are used in retail trade. It is common for various kinds of tokens issued by employers or benefit offices in payment of wages or benefits to have limited circulation in local retail trade, but they almost always trade at a considerable discount.

<sup>2</sup> This presumes that falling money incomes are, at least to some extent, a result of demonetisation and not just of the 'transitional depression'. There is now a large literature on demonetisation, but little engagement between the contending views (Aukutsionek, 1998a; Aukutsionek, 1998b; Aukutsionek, 1998c; Clarke, 1998; Delyagin, 1998; Denisova, 1997; Fan and Schaffer, 1994; Gaddy and Ickes, 1998a; Gaddy and Ickes, 1998b; Gaddy and Ickes, 1998c; Hendley et al., 1998; Ickes and Ryterman, 1992; Ickes and Ryterman, 1993; Klepach, 1997; Makarov and Kleiner, 1997; Makarov, 1998; Poser, 1998; Rostowski, 1993; Shmelev, 1997; Woodruff, 1999a; Woodruff, 1999b; Yakovlev, 1998). In general, western commentators such as Gaddy and Ickes have focused on demonetisation as a potentially inflationary means by which enterprise directors have avoided the imposition of 'hard budget constraints', while Russian commentators such as Delyagin, Makarov, Klepach and Shmelev have seen demonetisation as a deflationary response to a liquidity squeeze imposed by inappropriate western-sponsored monetary and financial policies. The former diagnosis implies more rigorous deflationary policies to restore the value of money, the latter implies reflationary policies to stimulate the recovery of the real economy. The response to the crisis of August 1998, in which controlled monetary expansion was associated with remonetisation and the non-inflationary growth of the real economy, strongly supports the latter interpretation.

corporate economy by engaging in production for subsistence or exchange with friends and neighbours. To the extent that this happens, living standards will be maintained, but there will be a diversion of demand from the corporate economy to the household economy.

In this paper I will look at the ways in which households have adapted to the non-monetary market economy. In the first section I will briefly review the development of Russia's barter economy. I will then examine the scale and character of the demonetisation of household budgets before looking at the responses of employers and households to demonetisation. Since most discussion of these issues is conducted without any reference to the evidence, I will concentrate on a presentation and assessment of the available data. I will focus particularly on urban households since the situation in rural districts, where living standards are much lower and opportunities for self-sufficiency are much higher, is very different.

In the discussion I will refer principally to four sources of data. First, Goskomstat's Household Budget Survey, which has been derided in the past but has been conducted on a more rigorous basis since 1997. Second, the data from the Russian Longitudinal Monitoring Surveys, conducted since 1994 by a group at the Institute of Sociology of the Russian Academy of Sciences, sponsored by the University of North Carolina at Chapel Hill. Third, data from a large household survey conducted by the Institute for Comparative Labour Relations Research (ISITO) in four Russian cities (Samara, Kemerovo, Lyubertsy and Syktyvkar) in April 1998. Fourth, data from the bi-monthly surveys of the All-Russian survey organisation, VTsIOM. As we will see, the data from these various sources is in most respects remarkably consistent.

### ***The rise of the barter economy***

Russia's barter economy bears the marks of its origin in the soviet economic system. The soviet economy was a non-monetary system in which economic relationships between enterprises were administratively regulated, with money playing only an accounting role. This accounting money was quite different from the cash which was used to pay wages with which workers could buy their essential means of subsistence, whose issue was strictly controlled in the attempt to maintain macroeconomic balance. This system was gradually falling apart through the 1980s with money and market relations beginning to play a role, but even in 1991 market relations and monetary transactions were only of marginal importance. When the disintegration of the Soviet Union and the radical reform policies of 1991-2 led to the collapse of the old administrative structures there were almost no commercial and financial institutions in place which could mediate market and monetary transactions.

From the beginning of 1992 enterprises were suddenly free to trade with whomever they wanted. However, their working capital was destroyed by inflation in the first months of 1992, as were both the savings of the population and the purchasing power of wages. In principle enterprises and consumers were free to buy, but in practice they had no money with which to buy. The government was at first not willing to provide money because it believed that expanding the money supply would only fuel the enormous inflation that its liberalisation policies had provoked. The result was that enterprises could only continue production by maintaining relations with traditional suppliers who were willing to provide raw materials without payment, or by arranging barter deals with new suppliers and customers.

In the absence of money, the first stage in the growth of a market economy saw a rapid increase in inter-enterprise debt and in barter trade, which reproduced familiar forms of behaviour and created at least a caricature of familiar institutions. Barter had played an important role in informal inter-enterprise transactions throughout the soviet period, while offsets had been the normal way of settling accounts between enterprises which delivered goods to customers not against payment but against the plan. To find new customers and suppliers, as many had to do following the break-up of the Soviet Union, enterprises had to turn to intermediaries to arrange barter or export deals: individuals and organisations who had their own contacts and sources of finance. Some of these individuals and organisations had their roots in old administrative and political structures, particularly those such as the Komsomol and the KGB which had their own inter-Republican networks. Some had built up their positions as intermediaries working outside the law in the Soviet period. But the lack of development of appropriate market institutions and the absence of the effective enforcement of the laws of property and contract meant that even those with a legitimate background had to rely on the threat of violence to enforce contracts and protect their goods. As a result, deregulation of the market in 1992 did not lead to a free market but to the criminalisation and monopolisation of economic relationships as those who controlled the emerging financial and commercial intermediaries quite literally took the law into their own hands, using their own 'security services' to enforce contracts. The criminalisation of the economy was reinforced by the tax system and the form of privatisation which gave enterprise directors and the new financial and commercial structures a common interest in concealing profits and illegally diverting them into the shadow economy.

The expansion of credit from mid-1992 led to some decline in inter-enterprise debt and barter relations and saw the beginnings of market relationships. However, from the end of 1993 the government increasingly followed the advice of the IMF and applied the restrictive financial and monetary policies which are used in monetised market economies to combat inflation. But in Russia these policies did not have the consequences intended, because Russia was *not yet a monetised economy*. Although the administrative-command system had been destroyed, old relationships and old ways of doing things persisted so that money had not yet become established as the yardstick for economic decision-making. The government's policies drove down inflation but they also further intensified the criminalisation, monopolisation and demonetisation of the economy and the concentration of financial resources in the hands of financial and commercial structures which operated outside the law. High interest rates meant that enterprises were forced back into increasingly complex barter arrangements and fell ever more deeply into debt to their suppliers, partner banks and commercial intermediaries, which could then use this dependence as a lever to exert control over the enterprise and strengthen monopoly structures.

The situation was further exacerbated by the tax regime, which provided a very strong incentive for economic actors to leave the monetary economy, since the tax authorities had first claim on their liquid funds. This intensified a vicious circle in which the punitive tax regime induced enterprises to engage in non-monetary forms of exchange, reducing the tax take of the government. The government then had little choice but to validate the expansion of credit achieved by the creation of non-monetary instruments by sanctioning arrears in tax and utility payments and defaulted on its own payment obligations, including its obligations to pay its suppliers and employees and to pay

statutory social and welfare benefits. Government services and suppliers then did not have the money to meet their own bills, further tightening the noose of non-payment.

The government's policies not only led to the demonetisation of the economy and the subordination of enterprises to criminal structures, but also made the state itself increasingly dependent on those same structures. Because enterprises did not have the money to pay taxes, the government had to borrow increasing amounts of money at very high rates of interest from the commercial banks, denying access to bank credit to enterprises which might have used that credit to pay taxes. The irony is that much of the credit which the banks extended to the government had in fact been created by the banks on the basis of the government's own deposits, either tax revenues collected by the banks on the government's behalf, or government remissions paid through the banks. Most of the rest of the money in the commercial banks was money which had been illegally extracted from state and 'privatised' enterprises through commercial and financial structures and, increasingly, the profits gained from speculation against the currency and speculation in government debt. Meanwhile, most of the population kept its dwindling savings in cash or in low-interest deposits in the state savings bank, unless induced to hand their money over to various pyramid frauds.

Once the government had closed the circle, the demonetisation of the Russian economy was no longer simply a matter of the prevalence of non-monetary instruments and barter transactions in place of the trade and bank credit on which enterprises rely in a monetised market economy, it became a whole economic system in which the lack of liquidity locked the key actors into a network of mutual interdependence. This system may ultimately have served nobody's interests but it was stable because their interdependence meant that none of the central actors had the immediate interest or even the ability to break out of it.

### ***The demonetisation of the household budget***

We have already noted that the Russian economy, like the soviet system from which it emerged, is not entirely non-monetary. Enterprises and organisations may not be severely constrained in their economic activities by the size of their money holdings, but this has never been true of households. Although many items of consumption in the soviet system were heavily subsidised, workers were paid in cash, pensioners drew their pensions in cash and households were required to pay in cash for their purchases of food and clothing, they had to pay in cash to travel on the bus or the train, they often had to find cash to pay for medical treatment and they were required to settle their bills for housing, municipal services, energy and telephone in cash. Demonetisation of the economy has therefore had a much more substantial impact on the household economy than it has on the corporate sector. But the household is not just a passive victim of demonetisation, it is a crucial link in the transactions chain.

There are very narrow limits to the extent to which the government and public utilities can provide credit to sustain the production of goods and services that nobody has the money to buy. Ultimately these goods and services have to reach a point of final sale. Thus the Russian household has to be the principal source of final demand that supports the chain of monetary and non-monetary transactions.<sup>3</sup> Household cash

---

<sup>3</sup> I will not discuss international trade here, although it has played an important indirect role in sustaining and redirecting the flow of cash even when it has been on a barter basis. This is because

purchases put money into the hands of retailers and service-providers who are then in a position to use their possession of cash to shop around for supplies, introducing an element of competition into final product markets which can eventually diffuse through the whole economy. If household money spending is expanding, then it has the potential to dissolve the whole system of non-monetary exchange. This is exactly what happened at the end of the soviet period as households began to disburse their accumulated money balances and the soviet system disintegrated as enterprises' acquisition of money freed them from central control.<sup>4</sup> However, if household money income is contracting then households do not have the money to translate into effective demand. If monetary contraction is not simply to foster a deflationary spiral, then enterprises and households have to find new ways of supplying what has become an ineffective demand. Before looking at household responses, we need to examine the extent of the demonetisation of the household budget.

### Household monetary income and expenditure

The household sector has been dealt a double blow by the decline of the monetised economy. On the one hand, the flow of cash into the household budget has fallen sharply as about a quarter of all jobs have been lost since 1990, with unemployment rising to around 13% and a large number of teenagers and those approaching or beyond pension age withdrawing from the labour force; many of those still employed are laid off or put on short-time; the value of wages, pensions and welfare benefits has lagged far behind the rate of inflation and wages and pensions have gone unpaid. On the other hand, the demands for cash payment have escalated as subsidies for consumption have been removed and services that were formerly provided free are now only available for a charge.

Survey data on household money income paints a remarkably consistent picture, with all the all-Russian sources for the period 1996–8 (Household Budget Survey, RLMS, VTsIOM) showing an average household money income per head in the late 1990s which is equivalent, when deflated by the consumer price index, to the level of that of the late 1960s, or half the level that it had reached at the end of the 'period of stagnation' in 1985 and just below the 1985 official subsistence minimum (in 1998 the minimum pension was less than one-third and the minimum wage was one-tenth of this figure). This is the most recent valid reference point for comparison, since the inflation of the Gorbachev period provided households with increasing money incomes, which peaked in 1990 at 50% above the 1985 level, but these incomes were unrealisable because of shortages of goods at official prices.

It is often argued that the published data is seriously misleading because there is a large 'hidden economy' through which households receive substantial supplements to their officially declared monetary incomes, either through the payment of additional wages which are kept off the books in order to reduce taxation, or through unregistered secondary employment. However, the official data already includes a substantial

---

exports have largely been of primary and intermediate products which have no cash buyers in Russia, while imports have been dominated by final products destined for cash sale to domestic consumers.

<sup>4</sup> This tendency can be neutralised if the government is able to mop up the cash surpluses by sequestering enterprise cash balances from which wages are paid, as was the case in the soviet system. This soviet practice is reproduced today in the right of the tax authorities to sequester the bank balances of all those they deem to be in tax arrears.

estimate for 'unrecorded activity', amounting to an additional 27% of GDP in 1997 (the methodology of this estimate, worked out in collaboration with the World Bank, is described in some detail in Goskomstat, 1998a, pp. 9–130). Whatever reservations one might have about the methodology, this is the best available and most consistent estimate of the scale of unrecorded activity, while the survey data on wages and social transfers received by households is very consistent with the corresponding macroeconomic income and expenditure estimates. Thus, there is no evidence that the survey data seriously distorts the real situation.

There is a serious distortion in the published national income data. Until 1997 Goskomstat included an additional estimate for unrecorded income in the National Income accounts that was simply lumped under the heading of 'property, entrepreneurial and other income', the total of which by 1995 exceeded the total of reported wage incomes. Since 1997 an estimate for 'hidden wages', amounting to an addition of 14% in 1993, 21% in 1994 and 30-32% between 1995 and 1998 (Goskomstat, 1999c, p. 64), has been retrospectively separated out. However, these supplementary estimates are accounting fictions that have been introduced to balance the books, mainly to compensate on the income side for ludicrous estimates of the increase in household foreign currency holdings (amounting to between 15% and 20% of total household money income each year since 1994, Goskomstat, 1999c, p. 107; *Russian Economic Trends*, 1997.1, pp. 85-89), which in turn have been invented to cover for unrecorded capital flight in the balance of international payments (much of which may be an illusion arising from under-reporting of the cost of imports by importers seeking to reduce liability for import duties).

In 1998, Goskomstat estimated that 'hidden wages' amounted to a total of 319 billion roubles, against which the macroeconomic data purported to show a net increase of 19 billion roubles in savings deposits (although the data on savings deposits themselves shows a net increase of only 1.3 billion), 214 billion households' net purchases of foreign currency and 28 billion increase in rouble holdings of the population (Goskomstat, 1999c). In 1997, the addition for 'hidden wages' of 300 trillion roubles was substantially less than the even more absurd estimate of 410 trillion savings and increased foreign currency holdings. In 1996, Goskomstat estimated 'hidden wages' at 250 trillion roubles, with net foreign currency purchases of 252 trillion and 85 trillion increased savings and rouble holdings, while the budget survey for the fourth quarter of 1996 indicated net foreign currency purchases of 0.28 trillion roubles out of total net savings of 2 trillion roubles (Ministry of Labour and Social Development and Goskomstat rossii, 1997).

These fictitious additions to household income radically alter the officially reported distribution of income by income sources, suggesting a booming entrepreneurial economy to compensate for the collapse of the traditional waged economy. On the old form of reporting, wages amounted to 38-40% and social transfers to 13-15%, with entrepreneurial and other income amounting to a massive 44-7% of household money income. The revised method of reporting raises the wage share to 49-53% of money income, but still leaves entrepreneurial income amounting to around a third of household money income. The Household Budget Survey, by contrast, showed in the last quarter of 1996, the last time the survey collected income data, that wages comprised 70% of household income (77% for urban households), social transfers 16% (15%), private transfers 4% (4%), entrepreneurial income 5% (1%), property

income 0.4% (0.7%) and income from sales of property 3% (1%).<sup>5</sup> This is both far more plausible than are Goskomstat's macroeconomic estimates and is consistent with all other data sources on income and expenditure (and on employment, which show very low levels of entrepreneurial activity). The 1996 RLMS and 1998 ISITO surveys found a much higher reliance on social transfers, at 33% and 31% of household money income respectively, with wages accounting for only 62% of household money income in the ISITO survey. The latter survey found evidence of under-reporting of secondary earnings, a generous allowance for which would add 6% to the reported household money incomes, but even then entrepreneurial incomes amount to only a very small share in the total (Clarke, 1999).

The collapse of money incomes and the reduction of subsidies on food and public services has been reflected in a substantial shift in the composition of household money spending. According to the Household Budget Survey, spending on food has increased from 31.5% of consumer spending in 1990 to reach 51.4% in 1998, with a further 6.6% of the household budget spent on alcohol and tobacco and eating outside the home. In 1998 the poorest ten per cent of households spent 17% of their household money income on bread alone, more than they spent on all non-food products. Spending on housing and communal services has increased from 3.1% to 5.2% of household money income. Meanwhile, spending on non-food items has slumped, with spending on shoes and clothing falling from 23.6% to 13.0% of the budget, and spending on jewellery and other goods falling from 3.8% to 0.6% of the budget. According to the RLMS data, by the end of 1998 one-third of households had had to borrow money, but only 8% managed to save anything at all, half of those putting by less than 15% of their income. According to the data on bank deposits, the amount of money held by the population on deposit in the savings and commercial banks increased year on year, amounting to about 3% of their annual money income between 1992 and 1996, although the real value of those deposits was destroyed by inflation, first in 1992, when the real value of deposits at the end of 1993 amounted to only 4% of their value three years earlier, and then in 1998, when the real value of bank deposits, many of which were frozen, was halved.<sup>6</sup>

### The non-payment of wages and benefits

Much of the fall in household money incomes is a result of the sustained and ever-deepening recession of the Russian economy, with employment having fallen by around 25% since 1990 and the real value of wages and pensions having fallen to less than half the 1985 level by 1998. Wage inequality also doubled over the period of transition, so

---

<sup>5</sup> Questions about income were dropped because of a supposed discrepancy between income and expenditure data, although on reported mean income was within 1% of reported mean expenditure. The discrepancy was not with the budget survey income data but between the budget survey and the national income accounts.

<sup>6</sup> The budget survey figures for 1996 and 1998 are close to those of the RLMS and ISITO surveys, except that the latter both indicate substantially higher spending on housing and communal services than does the budget survey, despite the fact that subsidies to housing and communal serves still account for about 4% of GDP. The international financial institutions have been pressing the government hard to cut this subsidy by 'cost recovery', the euphemism for increasing charges, partly in order to reduce the budget deficit. This may increase the cash take of the government from the depleted money incomes of the population, but withdrawing more money from the economy will only further foster the cycle of demonetisation and decline.

that many households had seen an even greater fall in the real value of their wage incomes. To what extent this recession is a result of the demonetisation of the Russian economy that has been precipitated by deflationary policies is (or should be) a matter of debate that I do not want to enter into here.

The non-payment of wages and benefits, on the other hand, can be considered to be a direct reflection of the demonetisation of the economy to the extent that they are not paid as a result of deficient cash flow rather than of underlying insolvency. The survey data suggests that the non-payment of wages has amounted to a huge loss of money income since non-payment became endemic from 1995. According to VTsIOM's polls, which are the most commonly cited source, by the end of 1996 fewer than one third of people were being paid in full and on time in any one month, around 20% were paid in full with a delay and over a third were being paid nothing at all. The situation improved through the middle of 1997, but still up to a quarter of people were being paid nothing and up to ten per cent were only being paid in part, the mean amount received being just under half the pay due for the month in question. During 1998 the situation deteriorated rapidly once more, so that in May 1998 more than 40% of respondents said that they had been paid nothing the previous month, more than 20% of whom had not been paid for the previous three months, and almost 15% had only been paid in part.<sup>7</sup> The RLMS data paints a very similar picture: 21% of those employed in September 1996 told RLMS that they had been paid nothing in the previous month and 55% said that they were owed money by their primary employer. In the last quarter of 1998, 64% told RLMS that they were owed money by their employer and 31% had been paid nothing the previous month.<sup>8</sup>

This data on the scale of non-payment does not appear to be consistent with data on the accumulated wage debt of those in arrears. According to RLMS, in the last quarter of 1998 the amount owed to those in arrears was the equivalent of 4.1 times their normal monthly wage. In the ISITO survey in April and May 1998 the incidence of wage debt ranged from 23% in Lyubertsy to 63% in Kemerovo. The mean debt of those who were owed money was more uniform, ranging from 2.8 months pay in Lyubertsy to 4.9 months in Kemerovo. These figures are not very different from the Goskomstat data, based on reporting by enterprises, indicating that the average wage debt of those enterprises reporting arrears at the end of 1998 was the equivalent of 3.7 months wages at the current wage rate (although the Goskomstat data suggests that around half the employed population is owed wages, rather than the two-thirds suggested by RLMS).

---

<sup>7</sup> The New Russia Barometer survey, which is also conducted by VTsIOM, seems to suggest lower levels of non-payment of wages, finding in March and April 1998 that only 8% of respondents were working without pay, 24% were working and being paid wages with delays, 22% were pensioners facing pension delays and 39% were paid their wages or pensions regularly and on time. The survey also found that only one-sixth of unemployment benefit claimants were paid on time, while almost two-thirds never received payment (Rose, 1999, pp. 18-19).

<sup>8</sup> There is quite a large discrepancy between the individual and the household RLMS income data in this regard. In about a third of households all of whose working members had reported that they had been paid nothing the previous month, the head of household reported that there had been income from wages. In about a tenth of the households in which individual members reported a wage, the head of household denied that there was any wage income.



The discrepancy between these two sets of data appears to be considerable. For example, VTsIOM reported that 51% of respondents had been paid nothing at all in June 1998 and 13% had been paid only in part, which would imply that well over half the wages were unpaid that month. This was also a peak month for the increase in wage arrears in the Goskomstat data, but non-payment according to this source amounted at most to 5% of the total wage bill in June.

The two sets of data could be reconciled if wage arrears were being paid off almost as fast as they were accumulating, in which case those who were being paid should receive substantially more than their normal wage. However, over a third of those who told RLMS in the winter of 1998 that they had been paid something the previous month had received less than their normal wage and almost half received their normal wage, while only 20% received significantly more than their normal wage, and only 5% received more than twice their normal wage, suggesting that there was not much repayment of wage arrears to balance the new arrears accruing. Overall the figures suggest a net non-payment of about a quarter of the monthly wage, yet the Goskomstat data suggests that wage arrears were being paid off quite rapidly during the last quarter of 1998. The reasons for the discrepancy are by no means clear, but the data on the stock of arrears is more plausible, and less ambiguous, than the data on the scale of non-payment.<sup>9</sup>

Although non-payment is a scandalous violation of the most basic rights of Russian workers, from a purely quantitative point of view the non-payment of wages has only a marginal significance. On the one hand, unpaid wages account for less than 5% of net overdue enterprise debt. On the other hand, while those who are not paid their wages may suffer hard, and non-payment extends insecurity to all households, the non-payment of wages accounts directly for only a small proportion of the loss of household money income since 1992. Although the average of those enterprises reporting arrears was almost four months' wages and some workers had not been paid for years, the total accumulated arrears at their peak in September 1998, having built up steadily over the previous three years, amounted to a cumulative income loss of less than 3% of GDP.<sup>10</sup> Between the end of 1995 and the end of 1998 the arrears of those enterprises reporting arrears had increased from an average 1.4 to 3.7 months pay, which equates to a loss of 10% of monthly earnings over the previous three years for those suffering non-payment. In August 1998, one of the worst months, non-payment accounted for a one-off loss of about 5% of that month's household money income. By comparison, the surge of inflation in the same month devalued household money incomes by more than a quarter, a loss which has persisted cumulatively since it has not been recovered by subsequent increases in money wages.

---

<sup>9</sup> Part of this discrepancy might be accounted for by an ambiguity in the question: respondents who have been paid but more than a month in arrears, may say that they have not been paid their previous month's salary, which is what they are asked by VTsIOM. On the other hand, RLMS asks respondents if they have been paid anything at all the previous month and gets the same results. There is no apparent relation between the responses and the time of the month at which the question is asked.

<sup>10</sup> This data understates the extent of non-payment since trade and services and small businesses, where non-payment is significant but less extensive, do not participate in the system of state reporting of wage debts. In the ISITO survey 20% of employees of new private enterprises were owed money for wages, and the mean debt owed to those people was substantially more than that owed to employees of state and former state enterprises and organisations, at the equivalent of 5.6 months' wages, against 4 months for the latter.

The pattern of non-payment of social benefits is similar to that of the non-payment of wages, since the primary reason for non-payment of benefits is the non-payment of payroll-related contributions to social insurance funds, the total owed by large and medium enterprises by May 1998 amounting to 196 billion roubles (\$32 billion at the then-current exchange rate) (calculated from data in Goskomstat, 1998b). Pensions are by far the largest social transfer, accounting on average for 12% of household money income. Although pension arrears mounted from 1995, they were largely paid off in the second half of 1997 and have since been kept in check. In company towns and the more remote regions where wages may have been unpaid for months on end, pensions provide virtually the only infusion of cash into the local economy. According to the RLMS data, in the autumn of 1996 a third of pensioners had not received their pension the previous month, while the figure had fallen to 15% in the autumn of 1998. In the ISITO survey very few pensioners had substantial pension arrears in the spring of 1998. The situation with other benefits is rather different: according to RLMS two-thirds of those eligible for child benefits and half of the very small number eligible for unemployment benefit in October 1996 had not received them the previous month. In 1998, 80% of those eligible for child benefit were in arrears and over a third of those eligible had not received their unemployment benefit.

Even if the non-payment of wages and benefits makes only a small contribution to the fall in average household money incomes, it can have an impact out of all proportion to its size since it can leave particular households with no money income at all, and so with no means of surviving in a monetary economy, compelling the households affected, and perhaps also their employers, to develop alternative means of securing their subsistence. Thus the wider significance of non-payment is not so much in its direct impact on the household budget as in its role in the reproduction of the demonetised economy.

### ***Non-monetary forms of payment***

Non-monetary forms of payment are ways in which employers can help employees to overcome the problems that arise when there is no money with which to pay wages. Like all of the features of the barter economy, these forms of payment build on familiar soviet practices and institutions that developed in the shortage economy. In the soviet period everybody had plenty of money, the problem was to turn the money into goods. The problem had become acute by the end of the soviet period, when rising money incomes against fixed state prices meant it was almost impossible to buy anything worth having through the normal channels. In that context enterprises used a variety of methods to ensure that their employees' basic needs were provided for.

### **Employer-provided benefits**

Soviet enterprises always provided a proportion of the workers' remuneration in kind through the provision of housing, cultural, sporting, social, medical and welfare facilities. Enterprises were compelled to privatise or divest a large part of these facilities to municipal authorities during the early stages of reform, which they did with alacrity since they constituted a huge financial burden. Almost three-quarters of all the enterprise housing and social assets were disposed of between 1993 and 1995, with a further 10% being transferred over the following two years. Many of the remainder were simply written off because they were falling apart and nobody would take them

on. Nevertheless, enterprises quite often retain a degree of financial responsibility and sometimes still provide subsidised access to these facilities for their employees (Healey et al., 1998).

According to Goskomstat's Household Budget Survey, almost a third of households receive some subsidies or benefits either through their employer or some other social organisation. However, there is no evidence that the provision of such benefits is connected with the demonetisation of the household economy, for the better-off households and urban households are significantly more likely to enjoy them. There is a direct progression from the bottom to the top income decile, with those at the top receiving ten times as much as those at the bottom and those in the towns getting almost three times as much as those in the country. Nevertheless, even among urban households these benefits account on average for only about 1% of the total value of household spending (Goskomstat, 1999b).

The incidence and scale of benefits reported to the Household Budget Survey are summarised in Table One. The most significant benefits are housing and transport subsidies, the provision of which appears to have been increasing. This may be a reaction to the increased cost of these facilities, expenditure on which as a percentage of household income peaked in 1996. Around 20% received some form of transport subsidy, which usually takes the form of the free provision of works buses or travel passes for local transport. Subsidised vacations, medical expenses (in addition to routine health care) and childcare are the most valuable benefits, but are not widely available. Around 5% of households appear to get a small gift at new year, but apart from this very few households seem to be provided with in-kind material support by their employers. Most significantly, from our point of view, the proportion of respondents receiving free or subsidised food in canteens has fallen steadily from 10% at the beginning of 1997 to only 5% by the end of 1998.<sup>11</sup>

**Table 1: Subsidies and benefits received by households. Household budget survey. Urban households**

	1997.1	1997.2	1997.3	1997.4	1998.1	1998.2	1998.3	1998.4
Percentage of households with at least one member enjoying this benefit								
Any benefit	32.8	34.1	36.5	38.4	36.3	35.6	36.3	37.3
Food	10.3	9.8	9.8	8.7	6.8	5.9	6.1	5.3

<sup>11</sup> The ISITO survey asked about the availability of various benefits at the respondent's place of work, rather than whether the respondent actually received such benefits, the results indicating that the availability of benefits is much higher than the take-up. The survey suggests that 45% of workplaces in the four cities surveyed provide subsidies for vacations, 20% for childcare, 16% provide subsidised food and 20% subsidised transport, while 23% provide loans and 45% provide financial assistance. The provision of these benefits is not connected with the incidence of non-payment but seems to be a normal feature of welfare provision that depends on the prosperity rather than the poverty of the enterprise. The provision of the various benefits is significantly correlated with each other, but the correlation coefficient with the incidence of non-payment is negative, though insignificant. There is a significant but very small (.048) positive correlation between the provision of subsidised food and payment in kind. Although the provision of benefits is positively correlated with income in the Household Budget Survey data, the scale of provision is the lowest of all in Moscow city (Goskomstat, 1999b).

Transport	16.9	19.0	20.9	21.3	20.9	21.1	21.8	22.4
Housing	8.7	11.3	14.1	15.8	17.1	17.0	16.7	18.2
Holiday	0.9	2.0	1.8	0.5	0.4	1.5	1.3	0.5
Medical provision	1.2	1.0	1.4	1.4	1.3	1.1	0.8	0.8
Pre-school childcare	3.2	3.4	3.2	3.5	3.3	3.5	3.3	3.3
Subsidised provisions	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1
Gifts	3.2	0.8	0.8	4.5	1.8	0.5	0.5	5.1
Other	2.8	2.5	3.2	3.6	3.2	3.2	2.8	3.3
Amount in roubles for each recipient								
Food	70.9	70.4	84.8	87.7	87.4	83.2	82.0	82.8
Transport	39.6	43.8	52.7	45.1	40.9	43.6	49.4	43.1
Housing	32.3	33.3	32.7	36.5	38.4	37.8	35.0	38.1
Holiday	338.5	414.6	424.4	505.0	362.1	414.9	511.0	457.2
Medical provision	107.0	58.6	65.9	76.2	52.2	78.1	68.2	87.4
Pre-school childcare	183.9	161.0	147.3	165.6	205.4	230.2	182.9	245.6
Subsidised provisions	35.5	49.8	40.0	135.9	22.5	36.8	52.3	83.8
Gifts	36.7	93.2	134.0	21.7	28.8	47.8	73.2	25.2
Other	55.9	67.1	43.4	38.4	29.2	34.2	31.4	28.2

Source: Goskomstat, 1999a

### The company store

As shortages grew during the 1980s it became increasingly common for enterprises to open shops on the premises to provide their employees with groceries and consumer durables at fixed state prices that could not be obtained outside. Many enterprises established their own supply networks to ensure that they were able to supply their employees with food. This might involve the enterprise buying or leasing a neighbouring collective farm with which they would often have had a relationship dating back to the days of shortages. This practice continued after price liberalisation, with such shops often selling the produce at below-market prices, although the Household Budget Survey data indicates that subsidised provision is largely a thing of the past.

When the financial crisis in 1992 left enterprises unable to pay wages, many of them allowed workers to buy goods from the factory shops on account, either by keeping a record of their purchases or by providing them with tokens that could be used in the company shop. It was not long before enterprises expanded the range of goods supplied and organised their barter transactions with an eye to supplying their own workers. Some enterprises even diversified by extending their retail outlets and opening them to outsiders. When enterprises ran into difficulties with supply or when

workers complained at the limited choice available, the enterprise might make arrangements with local shops to accept their tokens, which they would later redeem for cash or in barter goods.

The extent to which this kind of local system of barter is established seems to depend primarily on the extent of the demonetisation of the local economy. During the 1980s workers welcomed the opportunity to buy goods that could not be obtained elsewhere, but once shortages came to an end the 'company store' and payment in tokens became increasingly unpopular with workers, who would regularly complain that they were overcharged for poor quality goods. If employers are able regularly to acquire subsistence and consumer goods by barter, unless the local economy is almost entirely demonetised there is no reason why they should not put the goods on sale and pay money wages with the proceeds, and this has indeed become a common practice. Thus we would expect a system of local barter to develop only when demonetisation reaches a fairly high level so that enterprise tokens acquire quasi-monetary status. There is no data on the extent of the sale of goods to employees at the workplace, whether in cash or for tokens. However, the total retail sales reported by Goskomstat appear if anything to be somewhat greater than consumption figures for the same items reported by the budget survey, which would seem to indicate that the bulk of consumption is met through the system of retail trade.

### Payment in kind

The purest form of demonetisation of the wage relation is payment in kind. It is quite normal in a market economy for a firm to offer its employees goods for their own consumption at a discount or as a supplement to the wage. Coalminers, in Russia as elsewhere, are entitled to a coal allowance and it is very common for agricultural workers to receive a part of their wage in kind. In the RLMS data the incidence of payment in kind in the countryside has been consistently around 13% higher than in the towns, suggesting that something like that number of rural workers traditionally received part of their wages in kind. Many soviet enterprises had informal norms which defined how much of the product it was legitimate for employees to steal. There is no data available on the extent of these traditional forms of payment in kind.

When economic relations broke down in the summer of 1992 many enterprises gave workers the products of the enterprise or goods obtained through barter to sell on their own account, providing the enterprise with a sales outlet and the workers with a way of earning some money when the enterprise could not pay wages. The impression is that this practice became less prevalent as a professionalised system of retail trade developed and that payment in kind nowadays is primarily in the form of goods which the workers will consume themselves or exchange with friends and relatives. Enterprises will still sometimes offer a consignment of consumer durables acquired through barter to their employees which can be purchased on account, against wage arrears. Workers will often grudgingly accept such goods even at a substantial premium, on the grounds that a bird in the hand is worth two in the bush. Payment in kind tends to be supplementary to the non-payment of wages and is more often used as a means of paying off wage debt than of paying current wages. Both payment in kind and the company store provide incentives for the growth of barter by providing the enterprise with a means to close the barter change by off-loading barter goods received in exchange for its own production onto its own employees.

The 1998 RLMS asked their respondents how much of the goods they had received from their enterprise in lieu of wages they had sold, and only one in ten of those who had been paid in kind had sold any of the goods received, although the majority of those who did sell goods had sold all the goods they had been provided with. In the ISITO survey, the proportion selling goods received varied considerably, from 3% of those receiving goods in lieu of wages in Syktyvkar and Kemerovo, where payment in kind is much more common, to 10-16% in Lyubertsy and Samara.

It is not only employers who pay employees in kind. Since a large proportion of payments by enterprises to the Employment Fund, Pension Fund and Social Insurance Fund are made in non-monetary form, including in the form of barter goods, these organisations offer goods to claimants in lieu of payment of their benefit entitlements. There is no systematic data on the extent of this practice. However, anecdotal evidence suggests that most people simply leave their meagre arrears to accumulate in the rather forlorn hope that they will someday be paid. Local authorities have also organised chains for the clearance of household debts for housing and municipal services against entitlement to benefits and even, in the case of teachers and health workers, the wages of municipal employees, a common practice which is described in its most systematic form in David Anderson's paper in this volume. Again, there is no data on the extent of such practices. Although ad hoc arrangements seem to be common, more systematic variants do not seem to be very widespread.

The RLMS data in Table Two suggests that payment of wages in kind has increased substantially since 1995. In the ISITO household survey, the incidence of payment in kind ranged from 3% of employees in Lyubertsy to 38% in Kemerovo, where it seems that 13% of the entire wage bill is paid in kind. When wages are paid in kind, the proportion of the wage paid in kind is substantial, amounting to one-third to one-half of the normal wage. A comparison of the incidence of payment in kind and the non-payment of wages indicates that these two phenomena have become increasingly closely related as their scale has increased. This indicates that payment in kind has developed as a way of paying off wage arrears to employees, rather than serving as a means of supplying employees with scarce goods, as had been the case in the past, or being a substitute for the payment of current money wages by cash-strapped employers. On the other hand, although in the RLMS data the amount paid in kind the previous month was significantly greater for those with wage arrears, in the ISITO data there is no significant difference in the proportion of monthly wages paid in kind between those with and those without arrears. Both the RLMS and the ISITO data imply that around 6% of the monthly wage bill is covered by payment in kind. This is not far off our estimate for the peak scale of non-payment of wages and marks a significant contribution to the demonetisation of the economy.

**Table 2: Incidence and scale of payment in kind.**

RLMS Urban households	1994	1995	1996	1998	ISITO
Paid in kind first job %	5	4	9	12	17
Paid in kind second job %	4	3	5	8	
as % of wage paid last month (*normal wage) first job	136	54	99	81(49)*	36*
as % of wage paid second job	36	62	81	53	

**Table 3: Incidence of payment in kind and wage debt**

RLMS Urban households	1994	1995	1996	1998	ISITO
no wages owed no pay in kind	62.6	62.3	44.2	38.0	57.6
pay in kind but no wages owed	2.6	2.0	1.8	2.8	3.7
pay in kind and wages owed	2.5	2.3	7.2	9.0	13.0
wages owed but no pay in kind	32.2	33.5	46.7	50.2	25.7

### ***Withdrawal from the market economy***

Payment in kind provides relief for something like 15% of those who have not been paid their wages. Those who have neither wage income nor payment in kind and who have exhausted their savings have little choice but to withdraw from the market economy and meet their needs by other means. One direct form of withdrawal from the market is to take goods and services without payment. This is an option that is available with regard to housing and utilities. According to the RLMS data in October 1998, 38% of households owed back rent and utility payments, up from 30% in 1996 and 22% in 1995, the average debt having increased from 1.8 to 2.6 to 3.2 times the average monthly payment of those who did pay over that period. The other form of withdrawal from the market is the household's production of its own means of subsistence, primarily by growing its own food.

We have already seen that food accounts for a growing proportion of expenditure out of a declining household money income. Although a few employers are able to ensure that their employees receive food, whether by supplying provisions through the workplace or by paying wages in kind, many households struggle to find enough money to feed themselves properly. Two-thirds of RLMS respondents in the winter of 1998 said that they were very concerned that they might not be able to provide themselves with the bare essentials over the following year. Twenty-eight per cent of household heads in the ISITO survey said that they did not even have enough money to buy sufficient food for their families.

According to the official statistics, well over half of the total amount of food produced in Russia by value is produced on the garden plots of the population. In 1998, allowing for food imports, particularly of meat and milk products, the official statistics indicated that 90% of potatoes, 80% of fruit and vegetables, more than a third of meat, half the milk and milk products, half the wool and a third of the eggs consumed came from household plots (calculated from Goskomstat, 1999c, pp. 204, 220-3). These figures would seem to suggest that Russians have returned to the land with a vengeance, responding to the economic crisis by reverting to peasant self-sufficiency, and this is certainly an image that is fostered by the media. However, these figures are very misleading, primarily because Goskomstat's category of domestic production (*khozyaistvo naseleniya*) combines household subsistence production with almost all smallholding agriculture. Thus the growth of domestic production reflects above all the partial dismantling of state and collective farms and the growth of formally independent peasant production.

This is by no means to deny that the use of land by Russian families is not widespread. According to the 1994 microcensus, 58.3% of all households had a plot of land.

Twenty-two per cent had a plot adjoining their home, 16.9% an allotment or a plot attached to a dacha, 9.5% a vegetable garden, 7.7% a plot and vegetable garden adjoining their home and 2.2% some other kind of combined plot of land (Goskomstat, 1997). The issue is what people do with this land. There is no doubt that the rural population grows and raises a large part of its own food on the land, but Russia is a highly urbanised society. What is the role of the dacha for the urban population?

Since 1997 the Goskomstat Household Budget Survey has investigated in detail the extent of domestic production for home consumption. The findings put the statistics on agricultural production in a very different light. Although in the countryside 45% of food by value was home grown in 1997 and 40% in 1998, overall only 18% of food was home grown in 1997 and 16% in 1998, because in the urban areas the figures were far lower, 9% of food by value was home grown by urban families in 1997 and 8% in 1998. These figures include not only large cities, but also small towns. In Moscow and St Petersburg, which together account for 12% of the urban population of Russia, virtually nothing was home-grown.<sup>12</sup>

In the four cities covered by the ISITO survey, the proportion of food that was home-grown varied considerably from one city to another. Most households grew either all or none of their potatoes or vegetables, with more variation in the home-growing of fruit, which was much more common in Samara than in the other three cities. Across all four cities just over a third of potatoes were home-grown, but only around ten percent of fruit and vegetables. Almost no meat or dairy produce was home-produced in any of the four cities. While those households with a dacha put a great deal of time and effort (and money, particularly for transport) into growing their food, and most of those with a dacha did grow food on it, the total saving on the household budget, even in the best of cases, was very small. This is not surprising because the consumption of potatoes, vegetables and fruit in total amounts to only around 20% of the value of the food consumed by the average Russian household. This means that even in Kemerovo, where two-thirds of all potatoes were home-grown, the gross monetary saving from all home agricultural production was only just over 1% of the average amount of money spent on food. When we take into account the amount of money that households said they spent on their dacha, which is almost certainly a substantial under-estimate, many households were out of pocket. It should not be surprising to find that in the ISITO survey data, and in the RLMS data for urban households, those who grow their own food do not spend any less money on food than those who meet all of their food needs in the market. Whatever other functions it may serve, the dacha does not represent a

---

<sup>12</sup> L. Ovcharova and I.I. Korchagina calculated on the basis of unpublished Goskomstat budget survey data for 1996 that domestic production accounted for 43% of total food consumption by value: urban households grew 23% of their own food by value and rural households 75% (Ovcharova, 1997). However, this estimate also seems to derive from production data. A direct calculation from the published budget survey data on consumption and expenditure (which gives money expenditure and the quantities purchased and consumed for the main food groups) suggests that in the last quarter of 1996 across all households 24% of food by value was home-grown, while in St Petersburg 3% and in Moscow 4% was home grown. This is still well above the RLMS estimate that 14% of food by value was home grown in the last quarter of 1996 (Mroz, T. and Popkin, B. et al. (1997), op. cit.). According to the 1998 RLMS data, urban households grew 12% and rural households 49% of their food.



reversion to subsistence production (see Clarke, 1999 for more detailed analysis and discussion of these results).

**Table 4: Percentage of potatoes, vegetables and fruit home produced across all households, ISITO household survey, April/May 1998.**

	Samara	Kemerovo	Lyubertsy	Syktyvkar	Total
Potatoes	23	65	17	50	38
Vegetables	9	12	5	7	9
Fruit	26	7	8	1	13

Although domestic agricultural production does not provide a substitute for monetary expenditure on food for the urban population as a whole, maybe it does provide a solution for those households which have little or no money income. The household budget survey data immediately leads us to doubt this hypothesis, for the amount of home-produced food is a steadily increasing function of income (although it is a slightly diminishing proportion of total household spending): the wealthiest ten per cent of the population grow six times as much per head as the poorest ten per cent (Goskomstat, 1999b). This is confirmed by analysis of the ISITO, RLMS and microcensus data on the use of dachas and the domestic production of food, all of which show that the poorest families are, if anything, the least likely to use a dacha (Yaroshenko, 1999; Alashev et al., 1999; Clarke, 1999). In the ISITO data, those who say that they do not have enough money even to buy food are *less* likely to grow their own potatoes. The existence and extent of administrative leave, wage delays and short-time working all have absolutely no impact on the probability of the household producing any of its own food in either the ISITO or the RLMS surveys. Thus there does not appear to be any support for the idea that domestic production is an alternative to earning money in order to buy basic consumption needs, nor that it is a response to a lack of household monetary income.

The depth of the Russian economic crisis and the demonetisation of the economy may provide a powerful incentive for households to grow their own food, but an incentive is not enough. It is obvious that the household must have land, but it must also have the monetary resources required to buy agricultural inputs and to travel to the dacha, and its members must have the physical capability and the free time to devote to agricultural production. Thus, the domestic production of food may be a response to the general crisis but it does not provide a means of survival for those households which are short of money. It would seem more plausible to argue that rather than being the last resort of those on the brink of starvation, domestic agricultural production provides an additional form of security for those who are already quite well placed to weather the storm.

### **Household exchange**

Those who do not have enough money to provide for their own needs may be able to call on the support of others, or they may be able to meet their needs by engaging in forms of natural exchange. Two-thirds of all households in the ISITO survey reported their involvement in exchange relations, providing help to or receiving help from

others, with about 25% giving help but not receiving it, 20% receiving help but not giving it and 20% both giving and receiving help.<sup>13</sup>

Monetary transfers were only a small part of the exchange networks in which the ISITO respondents were embedded. While 25% of households had given money and 10% made loans to others during the previous twelve months, 30% said that they had given food and 20% gave goods. The median value of the goods and money received amounted to 6% of the recipient households' average money income, or an average of 3% of money income across all households (as noted below, however, this probably understates the value of food received from others). This is consistent with the budget survey data, the 1996 survey indicating that gross private cash transfers averaged 4% of household money income, while the more recent data indicate that gross transfers of food amount to the equivalent of 2-3% of money income across all households. The amounts which households report to RLMS that they receive from friends and relatives in cash and in kind are rather higher, amounting over all households to between 5% and 9% of the average household money income between 1992 and 1998, with no clear pattern over time, although there does seem to have been a sharp fall between 1996 and 1998. Not much can be read into these differences because the evaluation appears to be very sensitive to the form of the question.

Private transfers of goods and money between households are extensive and for many households on low incomes can comprise a substantial portion of the household's income. However, it seems that giving and receiving are elements in relations of reciprocal exchange rather than charitable donations from the more to the less fortunate, so that giving and receiving depend on the embeddedness of the household in social networks rather than having anything to do with household income or misfortune. Thus, in the ISITO data there is no significant relationship between the income of the household and the amount received in donations as a proportion of household income, richer households receiving substantially more than poorer households. Poorer households are more likely to be net recipients of help, but this is because richer households tend to give substantially more, even in relation to their income, particularly at the top of the income scale. Households with wage delays, administrative leave, payment in kind or short-time working do not receive any more assistance than households without these misfortunes.<sup>14</sup> Much the most powerful influence on the amount given and received is the embeddedness of the household, indicated by the number of network connections cited by household members. Richer households are even more likely than poorer ones to be involved in exchange networks. However, this may be partly because those who are inserted in exchange networks are much less likely to be poor in the first place: in the ISITO survey the density of social networks in which the individual is involved has a very powerful

---

<sup>13</sup> The proportion involved in exchange relations is higher than appears in RLMS, which reported in 1998 that 17% of households were donors, 17% recipients and 6% both gave and received, with a further 7% having lent to others, but the RLMS question related only to the previous month. For an analysis of the rather unsatisfactory first phase RLMS data see Cox et al., 1995.

<sup>14</sup> Income is not significant in the 1998 RLMS data, but giving and receiving seems to be more systematic in the 1996 data, where smaller households, those with young children and those with lower income tend to be net recipients while households with pensioners and more working members tend to be net donors. Households with higher incomes tend both to give and to receive more. However, there is no significant relationship between giving and receiving and the non-payment of wages or payment in kind in any of the RLMS data.

impact on the ability to get a job, to earn more money, to undertake secondary employment and so on.<sup>15</sup>

One of the most common forms of giving relates to the domestic production of food: most households which produce their own food give a significant proportion of their produce to others. In the ISITO survey over sixty per cent of households which produced their own food gave away an average of thirty per cent of the produce to others. However, the exchange of food is more complicated than this: one quarter of the households with dachas also received some food from other people, while one in six households which do not work a dacha were nevertheless in a position to give food to others: overall at least 14% of households both gave and received food in the previous year.

**Table 5: Methods of Provisioning. Household Survey. April-May 1998**

Percent of households	Samara	Kemerovo	Lyubertsy	Syktyvkar	Total
Have a dacha	50	67	33	57	52
Receive some food from others	16	19	12	18	16
Buy all of their food	34	14	55	25	31

The key question with regard to the receipt of foodstuffs is whether such donations represent a charitable gesture towards those in hardship, or an element in a network of reciprocity in which the recipient is expected to provide something in exchange. Our own ethnographic research inclines us towards the latter interpretation, and this is strongly supported by the data. When we run a series of regressions with the percentage of each product received as the dependent variable, we find that there is no significant relationship between household money income and the receipt of food products, nor is there any tendency for lower income households to receive more than those who are better-off, indicating that in general such donations are not a form of social support for lower income households from their better-off friends and relatives (Table Six).<sup>16</sup> This is confirmed by the fact that there is no significant relationship between the proportion of income spent on food and the receipt of food from others – such receipts would appear to be a bonus rather than a means of meeting essential subsistence needs. Thus, the acquisition of food is generally a by-product of involvement in reciprocal social relationships which provide other and more significant rewards.

**Table 6. OLS Regression: Dependent variable: Percentage of all kinds of food received from others. Household Survey. April-May 1998**

<sup>15</sup> Over all households net receipts should be nil. However, in both the ISITO and the RLMS data, households report giving substantially less than they report receiving. This is more likely to be accounted for by an under-valuation of gifts than an over-valuation of receipts.

<sup>16</sup> Income is not significant in any functional form. There is no significant difference in the likelihood of receiving food by any income decile against any other. This is supported by similar findings in Valery Yakubovich's analysis of the data on exchange networks derived from this research (Yakubovich, 1999). The Goskomstat Household Budget Survey shows that in 1997 and 1998 the value of food received from others is a steadily increasing function of household prosperity, with the richest decile in 1998 receiving on average more than six times as much as the poorest, and they receive more even as a proportion of their much higher spending on food (Goskomstat, 1999b).

	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	79.241	7.685	10.311	.000
Give money to others	3.223	2.969	1.085	.278
Have a car	1.091	3.461	.315	.753
Have a dacha	-30.871	3.212	-9.612	.000
Household income per head (100Rs)	-.358	.301	-1.189	.235
Have a child requiring care	7.464	4.372	1.707	.088
Have an adult requiring care	3.291	5.051	.652	.515
Number under 7	-.567	4.629	-.123	.902
Number under 16	-5.452	2.864	-1.904	.057
Number of adults	-5.304	1.887	-2.810	.005
Proportion of adults working	-11.721	4.815	-2.434	.015
Proportion of adults pensioners	-22.012	6.869	-3.205	.001
Household head under 25	35.683	6.948	5.135	.000
Household head 40-59	-23.016	4.020	-5.725	.000
Household head 60 and over	-16.206	6.881	-2.355	.019
Number with a rural background	9.372	2.388	3.924	.000
Days lay-off per head	.205	.098	2.082	.038
Wage debt per head (100Rs)	.138	.073	1.887	.059
Proportion of income spent on food	1.086	1.522	.713	.476
Kemerovo	3.114	3.810	.817	.414
Syktyvkar	-4.158	3.978	-1.045	.296
Lyubertsy	-11.477	4.417	-2.598	.009

Adjusted Rsq 0.159

Those most likely to receive foodstuffs are not those most in need but those best equipped to reciprocate: we find that households comprising a single person of working age are far more likely than any other household type to be a recipient of all kinds of produce. More generally, the young are far more likely and the old far less likely to be recipients of food, the reverse of the case with regard to dacha use. Neither single parent households, nor pensioner households nor those with dependent children or invalids receive any more of their food from others than the average household. Those in temporary difficulties as a result of lay-off or non-payment of wages are likely to receive significantly more food than others, but this is consistent with the suggestion that the relationship is reciprocal rather than charitable, since those in temporary difficulty will be in position to reciprocate (and if they have been laid off or are working short-time will certainly be more likely to be able to help on the dacha). The fact that produce is often obtained in exchange for labour is indicated by the fact that those who said that they worked on somebody else's dacha received more than twice as much food as others. Finally, many of those who said that they gave food to others

or received food from others did not include this in the help that they said they gave or received about which they were asked elsewhere in the questionnaire, indicating that for most people giving and receiving the products of the dacha is not considered as help but as a normal aspect of reciprocity. Thus the receipt of food, like the receipt of money and other goods, appears to be a part of a wider network of reciprocal interaction between households, sometimes being provided in exchange for work done on the donor's dacha, sometimes as part of an exchange of different products between dacha owners (although dacha owners are significantly less likely to be recipients of foodstuffs), and on other occasions in exchange for other kinds of support, such as providing transport (although possession of a car does not make a household significantly more likely to be a recipient of foodstuffs).

### **Conclusion**

The demonetisation of the Russian economy is a result of the failure to develop a appropriate financial, commercial and legal institutions to support Russia's transition to a monetised market economy. Enterprises and organisations have been able to build on the soviet legacy to develop alternative forms of settlement of their mutual obligations that have made it possible for them to survive in a non-monetary market economy. Households, on the other hand, have had far fewer capacities to adapt to the impact of demonetisation on the household budget.

Household money income has fallen by two-thirds since 1990. Of course, incomes by 1990 had run far ahead of more or less fixed state prices, so that people could not spend their hard-earned wages, but household money incomes had still fallen far below their level at the dawn of perestroika, taking them back to about the level of the late 1960s. Only a very small part of this decline is accounted for directly by demonetisation, through the non-payment of wages and benefits, but it is very likely that a much larger part of the fall can be blamed directly or indirectly on the deflationary policies of which demonetisation has also been a result. To the extent that households could be integrated into the non-monetary economy, through payment in kind, the deflationary impact of non-payment would be moderated. However, we have seen that the probability is that payment in kind is primarily a means of paying off wage arrears and compensates for only a very small part of the decline of household money incomes.

If households cannot be integrated into the non-monetary market economy, they have to withdraw from the market as their money income falls. However, contrary to the image presented by the mass media, there has not been a mass reversion to subsistence production. While the rural population grows much of its own food, as it has always done in the past, the domestic production of food by urban residents is little more than a by-product of the leisure activity of better endowed households. It provides such households with additional security, but it does not provide an alternative to the provision for household needs through the market.

We have similarly seen that networks of exchange of goods and money between households account for a large proportion of the income of many households, but engagement in such exchanges is not a response of cash-poor households seeking means of subsistence, but is an aspect of more complex networks of reciprocity between households, regardless of their economic situation.

The conclusion is that households have, by and large, had to bear the full force of demonetisation. The result of a loss of money income or the non-payment of wages is not, in general, the acquisition of alternative sources of subsistence, but is a fall in household living standards. The subsistence minimum at the end of 1998 at the official exchange rate amounted to about \$35 per month (\$91 at the PPP exchange rate). However, according to the budget survey, 65% of the rural population and 44% of the urban population lived in households with money incomes below the subsistence minimum, and 35% of the rural population and 15% of the urban population in households with money incomes less than half the subsistence minimum. Those households living at the subsistence minimum only paid about \$2 per head per month for their housing and utilities. They consumed about \$24 worth of food per head, over 80% of which they bought out of their own income. This left them with an average of \$3 each to spend on shoes and clothing and \$1 on alcohol and tobacco. Those with money incomes of \$17.50 a month, half the subsistence minimum, spent an average of \$1.30 per head on housing and utilities and consumed \$13 worth of food per head, of which they bought over three-quarters (in both cases, urban households will have bought more like 95% of their own food), leaving them with \$1.25 each to spend on shoes and clothing each month and \$0.50 a month for alcohol and tobacco.

Elsewhere in this volume can be found accounts of the ingenuity with which some local populations have been able to develop non-monetary forms of exchange through which to secure the reproduction of the household economy. But Russia as a whole is a highly urbanised society in which most civil institutions have disintegrated and in which there is no social or institutional base on which to develop such novel solutions. Across Russia as a whole demonetisation has led to a decline in household incomes has quite simply led to a proportionate decline of monetised consumer demand which further reduces the circulation of money in the system, reducing production, employment and the cash available to pay wages and benefits. Thus, the inability of the vast majority of households to adapt to a demonetised market economy drives the downward spiral of economic decline.

## **References**

Alashev, S., Varshavskaya, E. and Karelina, M. 1999, 'Podsobnoe khozyaistvo gorodskoi sem'i (Subsidiary agriculture of urban families)' in Kabalina, V. and Clarke, S. (eds.) *Zanyatost' i povedenie domokhozyaistv*. Moscow: Rossiiskaya politicheskaya entsiklopediya (ROSSPEN).

Aukutsionek, S. 1998a, 'Barter v Rossiiskoi promyshlennosti', *Voprosy ekonomiki* .

Aukutsionek, S. 1998b, 'Industrial Barter in Russia', *Communist Economies and Economic Transformation* 10 (2): 179-88.

Aukutsionek, S. 1998c, 'On Types of Barter', *Russian Economic Barometer* 7 (2): 45-7.

Clarke, S. 1998, 'Trade Unions and the Non-Payment of Wages in Russia', *International Journal of Manpower* 19 (1/2): 68-94.

Clarke, S. 1999, *New Forms of Employment and Household Survival Strategies in Russia*, Coventry: Centre for Comparative Labour Studies.

Cox, D., Zereria, E. and Jimenez, E. 1995, *Family Safety nets During Economic Transition: A Study of Intert-Household Transfers in Russia*, Washington D.C.: World Bank.

Delyagin, M. 1998, *Ekonomika neplatezhei*, Moscow.

Denisova, I.A. 1997, 'Monetary Transmission in Russia: The Role of Interenterprise Arrears', *Current Politics and Economics of Russia* 8 (2/3): 163-90.

Fan, Q. and Schaffer, M.E. 1994, 'Government Financial Transfers and Enterprise Adjustments in Russia, with Comparisons to Eastern and Central Europe', *Economics of Transition* 2 151-88.

Gaddy, C. and Ickes, B. 1998a, 'Russia's Virtual Economy', *Foreign Affairs* 77 (5): 53-67.

Gaddy, C. and Ickes, B.W. 1998b, *Beyond a Bailout: Time to Face Reality about Russia's `Virtual Economy'*, Washington, D.C.: Brookings Institution.

Gaddy, C. and Ickes, B.W. 1998c, *A Simple Four-Sector Model of Russia's `Virtual Economy'*, Washington, D.C.: Brookings Institution.

Goskomstat 1997, *Rossiia v Tsifrakh*, Moscow: Goskomstat Rossii.

Goskomstat 1998a, *Metodolicheskie polozheniya po statistike (second edition)*, Moscow: Goskomstat Rossii.

Goskomstat 1998b, *Sotsial'no-ekonomicheskoe polozhenie Rossii*, Moscow: Goskomstat Rossii.

Goskomstat 1999a, 'Osnovnye pokazateli vyborochnogo obsledovaniya byudzhetrov domashnikh khozyaistv po Rossiiskoi federatsii v 1998 godu', *Statisticheskii byulleten'* 1(51) (March 1999): 9-182.

Goskomstat 1999b, 'Osnovnye pokazateli vyborochnogo obsledovaniya byudzhetrov domashnikh khozyaistv po Rossiiskoi federatsii v 1998 godu', *Statisticheskii byulleten'* 5(55) (June 1999): 49-182.

Goskomstat 1999c, *Rossiia v Tsifrakh*, Moscow: Goskomstat Rossii.

Healey, N.N., Leksin, V. and Svetov, A. 1998, 'Privatisation and enterprise-owned social assets', *Russian Economic Barometer* 2 18-38.

Hendley, K., Ickes, B. and Ryterman, R. 1998, 'Remonetizing the Russian Economy' in Broadman, H.G. (ed.) *Russian Enterprise Reform: Policies to Further the Transition*. Washington DC: World Bank.

Ickes, B. and Ryterman, R. 1992, 'The Inter-Enterprise Arrears Crisis in Russia', *Post-Soviet Affairs* 8 331-61.

Ickes, B. and Ryterman, R. 1993, 'The Roadblock to Economic Reform: Inter-Enterprise Debt and the Transition to Markets', *Post-Soviet Affairs* 9 231-52.

Klepach, A. 1997, 'Dolgovaya ekonomika: monetarnyi, vosproizvodstvennyi i vlastnyi aspekty', *Voprosy ekonomiki* .

Makarov, D. 1998, 'Ekonomicheskie i pravovye aspekty tenevoi ekonomiki v Rossii', *Voprosy ekonomiki* 3 .

- Makarov, V.L. and Kleiner, G.B. 1997, 'Barter v ekonomike perekhodnogo perioda: osobennosti i tendentsii', *Ekonomika i matematicheskie metody* 33 (2): 25-41.
- Ministry of Labour and Social Development and Goskomstat Rossii 1997, *Monitoring of the Socio-Economic Potential of Families for the Fourth Quarter of 1996. Statistical Report.*, Moscow.
- Ovcharova, L. 1997, 'The definition and measurement of poverty in Russia' in Clarke, S. (ed.) *Poverty in Transition*. Coventry: Centre for Comparative Labour Studies, University of Warwick.
- Poser, J.A. 1998, 'Monetary disruption and the emergence of barter in the FSU', *Communist Economies and Economic Transformation* 10 (2): 157-77.
- Rose, R. 1999, 'What does Social Capital add to Individual Welfare? An Empirical Analysis of Russia', *Studies in Public Policy* 318 .
- Rostowski, J. 1993, 'The Inter-Enterprise Debt Explosion in the Former Soviet Union: Causes, Consequences, Cures', *Communist Economies and Economic Transformation* 5 131-59.
- Shmelev, N. 1997, 'Neplatezhi - problema nomer odin rossiiskoi ekonomiki', *Voprosy ekonomiki* .
- Woodruff, D. 1999a, 'Barter of the Bankrupt: The Politics of Demonetization in Russia's Federal State' in Verdery, K. and Burawoy, M. (eds.) *Ethnographies of Transition*.
- Woodruff, D. 1999b, *Money Unmade: Barter and the Fate of Russian Capitalism*, Ithaca NY: Cornell University Press.
- Yakovlev, A. 1998, 'Barter and clearing schemes: How to define basic concepts', *Russian Economic Barometer* 7 (2): 38-45.
- Yakubovich, V. 1999, *Economic Constraints and Social Opportunities: Participation in Informal Support Networks of Russian Urban Households*.
- Yaroshenko, S. 1999, 'Domashnie khozyaistva v usolviyakh perekhodnoi ekonomiki v Rossii: Tipy obespecheniya pitaniya v gorodskikh sem'yakh' in Kabalina, V. and Clarke, S. (eds.) *Zanyatost' i povedenie domokhozyaistv*. Moscow: Rossiiskaya politicheskaya entsiklopediya (ROSSPEN).